



PUBLIC DEVELOPMENT BANKS AND BIODIVERSITY

How PDBs can align with the Post-2020 Global Biodiversity Framework
Abridged Version - May 2021

WWF is working
with this
partner to
protect global
environments.

THE
BIODIVERSITY
CONSULTANCY

VISIT...

LANZAROTE
Caliente.COM

Authors

Leon Bennun, Renaud Lapeyre, Camille Maclet, Teja Chalikonda, Adrien Lindon, David Meyers, Robin Mitchell, Cheryl Ng, Nikki Phair, Tami Putri, Helen Temple, Thomas White, Guy Williams and Malcolm Starkey.

Citation

WWF & The Biodiversity Consultancy 2021. Public development banks and biodiversity. How PDBs can align with the Post-2020 Global Biodiversity Framework. Paris, WWF France.

Use and attribution

Material in this report may be used and shared subject to a [Creative Commons Attribution-ShareAlike 4.0 International license](#). In summary, this requires that users credit this report appropriately, indicate if changes were made, and distribute any derived material under the same license and with no additional restrictions. Citations or attributions to other sources in this report should be maintained in any further use or sharing.

Disclaimer

This report includes interpretation of interview conversations and survey responses from Public Development Bank staff and subject matter experts. The views expressed do not necessarily correspond to those of specific Public Development Banks, WWF or The Biodiversity Consultancy.

Acknowledgements

This study was conducted by The Biodiversity Consultancy (TBC) under contract to WWF (World Wide Fund for Nature) France, with funding support from WWF Germany and Agence Française de Développement (AFD). Renaud Lapeyre (WWF-France) steered and co-ordinated the study and finalized the report. We are grateful to members of the WWF Steering Committee for the study and other partners for contributing valuable insights, guidance and review: Celine Beaulieu, Hugo Bluet, Kai Dombrowski, Fanny Gauttier, Kenan Hadzimusic, Sergiu Jiduc, Matthias Kopp, Margaret Kuhlrow, Bruce Liggitt, David McCauley, Antoine Maudinet, Beatriz Merino, Florian Titze, Ray Victorine, and Helena Wright. We sincerely thank all the Public Development Bank staff and subject matter experts who generously made time available for interviews and for completing the online survey.



© Antonio Busiello / WWF-US



TABLE OF CONTENTS

CONTEXT	4
MAINSTREAMING BIODIVERSITY IN PUBLIC DEVELOPMENT BANKS	8
GREENING FINANCE: REDUCING HARM TO BIODIVERSITY	13
FINANCING GREEN: SCALING UP NATURE-POSITIVE INVESTMENTS	17
THE ROAD TOWARDS NATURE-POSITIVE FINANCE FOR PDBS	20
RECOMMENDATIONS	25
CONCLUSION	34
REFERENCES	36

Design
Muscade

WWF® and World Wide Fund for Nature® trademarks and ©1986 Panda Symbol are owned by WWF-World Wide Fund For Nature (formerly World Wildlife Fund).
All rights reserved.

Document published in June 2021

Any reproduction in full or in part must mention the title and credit the opposite-mentioned publisher as the copyright owner.

WWF France, 35-37 rue Baudin - 93310 Le Pré Saint-Gervais

Cover photography: © Copyright Adam Oswell / WWF-US



CONTEXT



© James Morgan / WWF-International

PRELIMINARY NOTE

This document summarizes the key findings and recommendations from a study carried out between September 2020 and February 2021. For further detail, please refer to the [published main study report](#).

STUDY BACKGROUND AND RATIONALE

Science has never been clearer about the unprecedented extent and rate at which biodiversity is being lost¹, pushing vital ecosystems like oceans, forests and rivers to dangerous tipping points. This erosion of global biodiversity is essentially caused by human activities. The issue currently features high on the agenda of crucial international negotiations on climate, sustainable development and biodiversity, including the Convention on Biological Diversity's (CBD) post-2020 global biodiversity framework². Dis-

cussions on the framework highlight that a coherent and concerted approach across the whole of society will be essential if we are to achieve global goals for nature. Mainstreaming biodiversity within economic decision-making remains an urgent priority: while this was central to Aichi Biodiversity Target n°2 in the Strategic Plan for Biodiversity 2011-2020⁴, this Target was far from being met⁵.

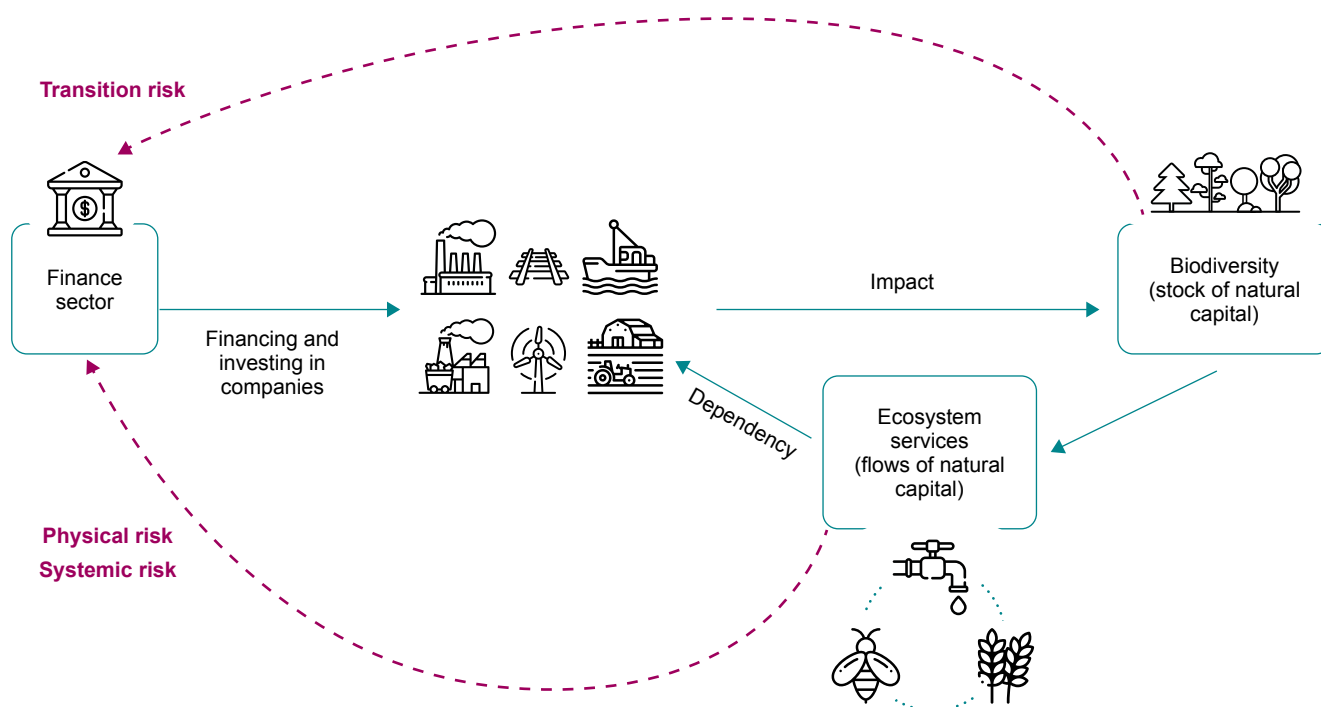


Figure A. Relationship between financial sector, economy, biodiversity and ecosystem services, and resulting risks³.

¹ IPBES 2019; WWF 2020; WEF 2021

² <https://www.cbd.int/conferences/post2020>

³ Partially adapted from van Toor et al. 2020

⁴ <https://www.cbd.int/sp/targets/rationale/target-2/>

⁵ Secretariat of the Convention on Biological Diversity (2020)

More than half of the world's total gross domestic product (GDP) is moderately or highly dependent on nature and its services⁶. Yet in our globalized economy damaging impacts to nature are not accounted for in the valuation of goods and services, nor in the share prices of the companies that are responsible for that damage. Financial flows to conserve nature are hugely outbalanced by financing targeted to activities that are directly harmful to biodiversity⁷.

Financial institutions are funding activities destructive to nature in many sectors such as agribusiness and fisheries, extractive industry, infrastructure and

urban development, not to mention the harmful effects on ecosystems of human-induced climate change. Only a fraction of this global investment is being mobilized under appropriate conditions for environmental safeguarding and nature protection.

However, recently published studies have highlighted how harming nature also translates into tangible and pervasive risks for investors and businesses, including physical, transition and systemic risk (Figure A). In turn, these biodiversity risks translate directly into impacts on finance (Figure B).

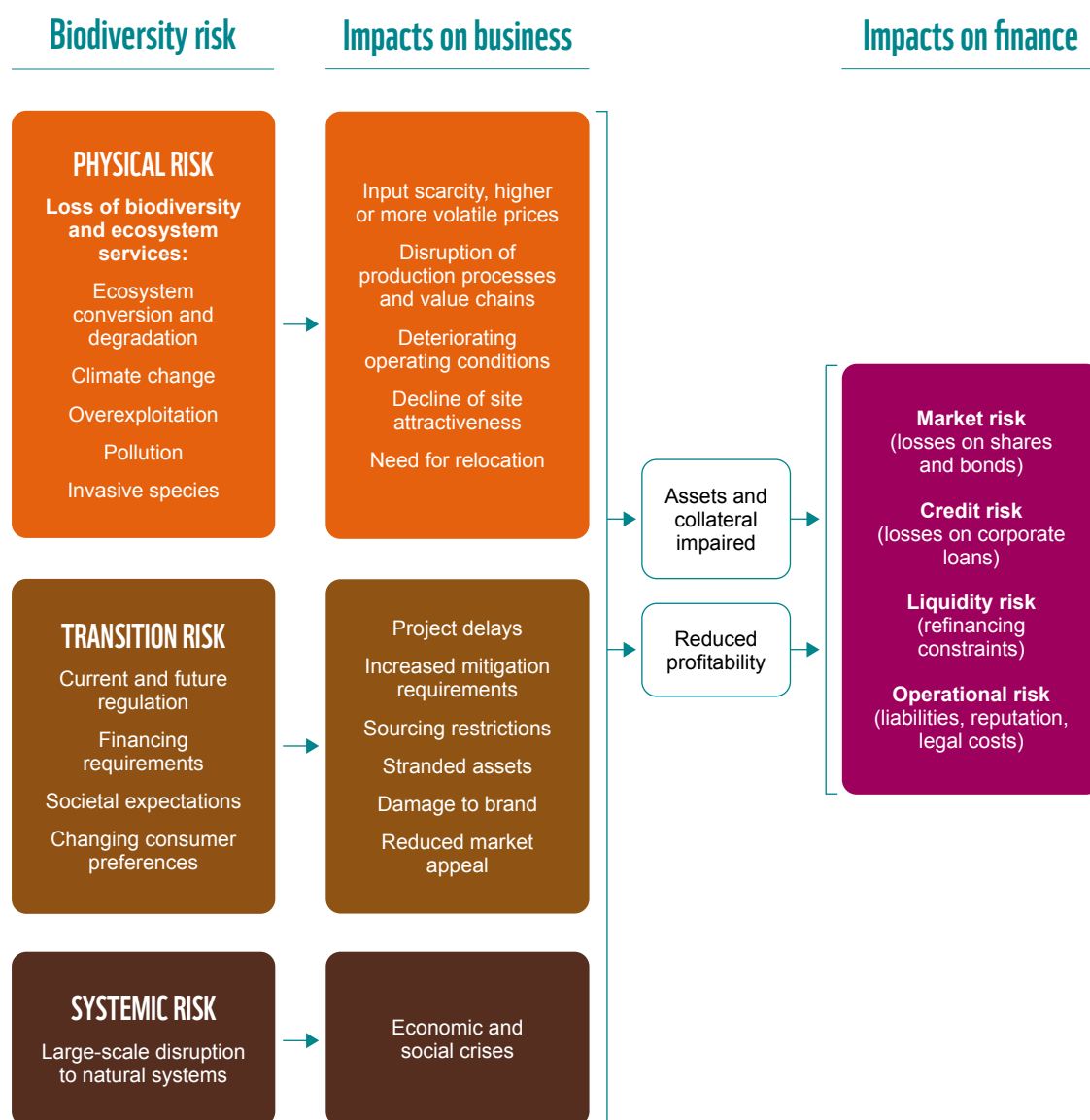


Figure B. Relationship between financial sector, economy, biodiversity and ecosystem services, and resulting risks⁸.

⁶ World Economic Forum (WEF) 2020, Deutz et al. 2020

⁷ OECD 2020

⁸ Partially adapted from van Toor et al. 2020

In response to this, it is imperative that the finance sector addresses the impacts of its investments on nature. This requires two inter-linked approaches:

- **Greening finance:** so that investment decisions include better consideration of nature-related risks and impacts, to avoid, minimise, restore and when necessary offset negative impacts to biodiversity.
- **Financing green:** through investments that can create a positive impact on nature, for example through protection and restoration of degraded habitats, or by supporting economic and social development that reduces the pressures on biodiversity. Such investments are increasingly termed ‘nature-positive’.

Public Development Banks⁹ have a unique role to play in shifting financial flows towards sustainability. PDBs themselves provide finance of around \$ 2.3 trillion annually, a significant component (10%) of all yearly private and public financing¹⁰. But PDBs also have much greater influence than this share would suggest. As stated in the 2020 Joint Declaration of all PDBs in the World, “with [their] public mandates and

roots in [...] respective economic and social fabrics, [they] build bridges between governments and the private sector; between domestic and international agendas; between global liquidity and microeconomic solutions; and between short-term and longer-term priorities. [They] can significantly contribute to reorienting global finance towards climate and SDGs.”

Building on the two linked but complementary aspects of ‘greening finance’ and ‘financing green’, the study aimed to:

- Review and assess how PDBs currently integrate nature in their processes and business models
- Outline constructive and practical recommendations for how this could be improved, to strengthen the role of PDBs in supporting the post-2020 global biodiversity framework and the 2030 Agenda for Sustainable Development.

PDBs provide 10% of all yearly private and public financing and have a unique role to play in shifting financial flows towards sustainability.

METHODS

Relevant information was compiled through:

- Identifying and listing PDBs, reviewing documentation for a sample of 98 institutions, and extracting information in AFD’s¹¹ global database of Public Development Banks¹²
- Developing and circulating a detailed online survey questionnaire
- Thirty-four in-depth semi-structured interviews involving 32 PDB staff from 17 institutions and seven subject matter experts, followed by thematic analysis
- Compiling and rapidly reviewing around 150 further relevant reports and other documents.

⁹ Public Development Banks (PDBs) are defined as in Xu et al. (2020), who outline five qualification criteria for PDBs. This is an inclusive definition that captures a wide diversity of institutions, including multilateral, bilateral, regional, national and sub-national development banks. Multilateral, bilateral and regional PDBs are sometimes called ‘International Financial Institutions’ (IFIs). Another term is ‘Development Finance Institutions’ (DFIs), which is often used to refer to a subset of PDBs that focus on private sector lending. Importantly, the study acknowledges, and characterizes, the great diversity inside the common definition of PDBs. See below.

¹⁰ Basu et al. 2020

¹¹ Agence Française de Développement (AFD)

¹² AFD 2020

An aerial photograph of a landscape featuring green vegetation and winding dirt roads. The terrain is hilly, with a dense forest in the upper left corner. The roads are light brown and curve through the green fields. The overall scene suggests a rural or undeveloped area.

MAINSTREAMING BIODIVERSITY IN PUBLIC DEVELOPMENT BANKS

© Juan Carlos Munoz / WWF-International

Although PDBs all share some key features, they are a very diverse group in terms of size, shareholding, geographical scope and financing focus. Below are main study results in this regard, which are important elements to account for when advocating for further mainstreaming biodiversity within PDBs.

PUBLIC DEVELOPMENT BANKS: COMMON DEFINITION, DIVERSE INSTITUTIONS

- Public Development Banks (PDBs) are financial institutions with a mandate to finance a public policy on behalf of the State. They have independent financial and legal status but operate under the authority and supervision of government.
- PDBs are a very diverse set of institutions. In total, 552 institutions were identified as PDBs, based on membership of industry forums and/or representation in AFD’s recently developed PDBs database¹³.
- For this study, PDBs were categorised (based on ownership, geographic scope and beneficiaries) as multilateral, bilateral, regional, national or sub-national banks. The vast majority of PDBs are national development banks (Figure C).
- PDBs are fairly evenly spread across continents, with a particularly large number in the Asia-Pacific. The Americas have a notably high number and proportion of sub-national banks, which are unusual in Africa, while bilateral PDBs are concentrated in Europe.

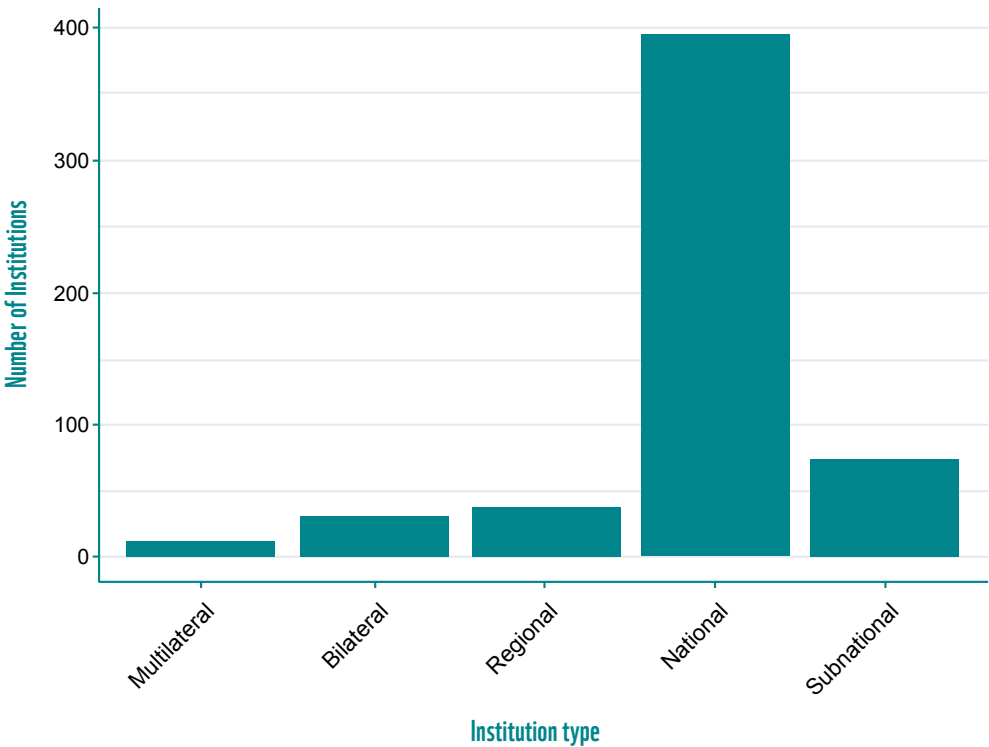


Figure C. Number of PDBs of different categories in the global dataset (N = 552 institutions; 11 multilateral, 30 bilateral, 38 regional, 397 national and 76 sub-national)

¹³ For further details on this, refer to the main study report

The largest seven PDBs, including three Chinese banks, together hold over half of global PDB assets.

- PDBs range in size over six orders of magnitude. The smallest have assets of US \$2-3 million and the largest, the China Development Bank, has assets of US \$2.4 trillion. Small and mid-size banks (assets between US \$100 million and US \$10 billion) make up the majority (c. 61%) of PDBs (Figure D). While most multilateral development banks (MDBs) are large (assets over US \$ 10 billion) or very large (assets over US \$ 100 billion), regional banks tend to be smaller.
- There is a broad range of size in each PDB category, but average (mean) assets for both multilateral and bilateral banks (US\$ 149 and US\$ 139 billion respectively) are around ten times larger than for regional (US \$12 billion), national (US \$ 15 billion) or subnational (US \$ 12 billion) banks.
- Globally, most PDB assets are held by a few very large banks (Figure E). The largest seven PDBs, including three Chinese banks, together hold over half of global PDB assets, compared to only 0.05% held by the smallest 100 banks. Small PDBs (assets < US \$1 billion) and very small PDBs (< US \$100 million) are concentrated in low and lower-middle income countries.

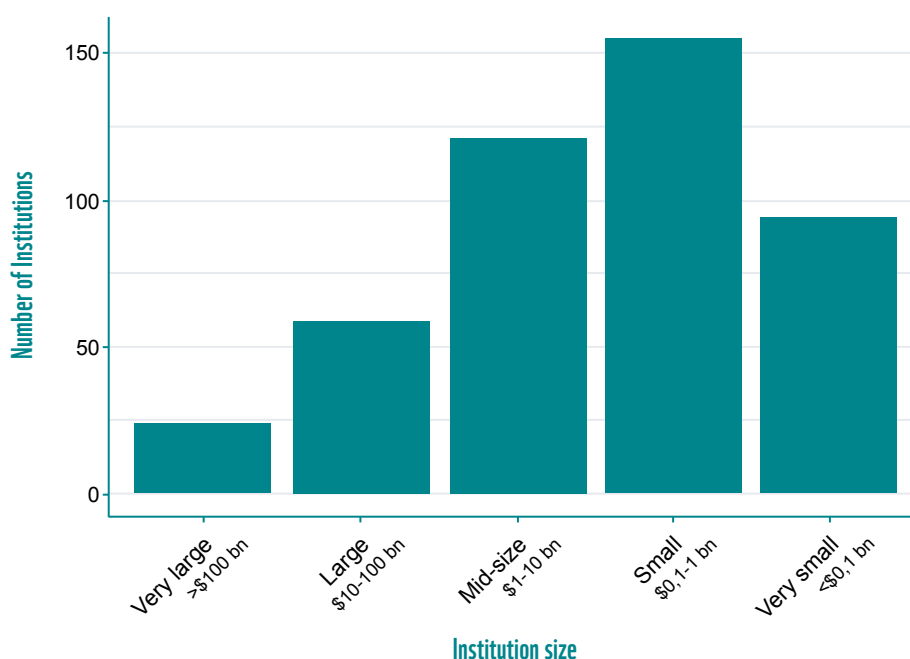


Figure D. The number of PDBs of different size classes, based on total assets (N = 454; 98 institutions in the dataset do not have a size class assessed). Source: AFD PDBs Database 2020

PDBS are perfectly placed to contribute actively to the post-2020 global biodiversity framework.

Given their public mandates, authority and supervision, combined with their significant scale of assets and financing, public development banks are perfectly placed to contribute actively to the post-2020 global biodiversity framework agreed at CBD COP15. PDBs can play a catalytic role both in setting ambitious targets toward a nature-positive global goal, and supporting the implementation of agreed actions. Beyond simply mobilizing resources by unlocking public finance and leveraging private finance, PDBs can strongly influence all sectors of society, including

governments, clients and private capital, to further mainstream biodiversity in all relevant public and private decision-making.

The current draft of the post-2020 global biodiversity framework includes the goal that “nature is valued through green investments, ecosystem service valuation in national accounts, and public and private sector financial disclosures”¹⁴. PDBs have a critical role to play in achieving this.

To better understand this potential contribution, the study first took stock of current PDB practices. Progress, constraints and challenges are outlined below, based on interview discussions, survey responses and document review.

¹⁴ Updated Zero Draft, dated 17 August 2020, Goal B, Sub-Goal B.2. See <https://www.cbd.int/article/zero-draft-update-august-2020>

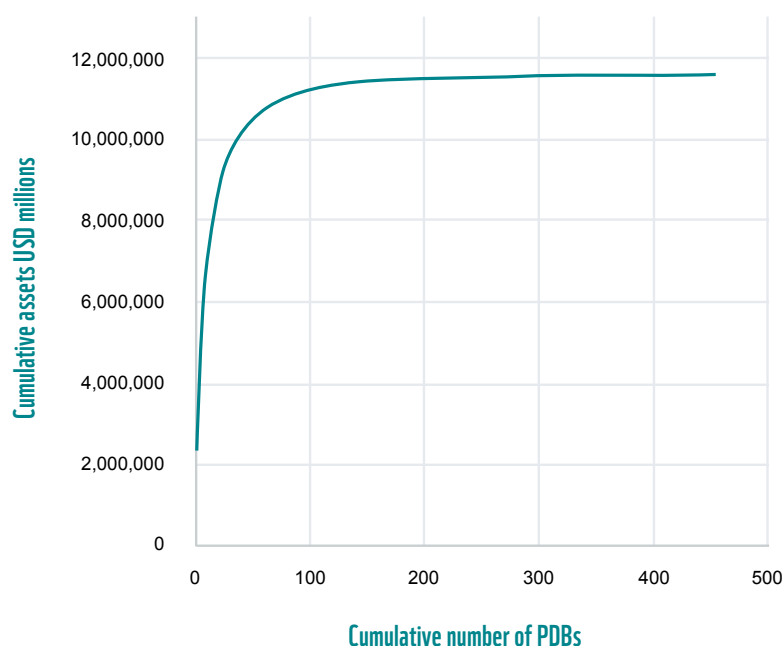


Figure E. Cumulative institutional assets across PDBs (N = 454), sorted by asset size. A small number of institutions hold the bulk of total assets. Data source: AFD PDBs Database 2020

STRATEGIC-LEVEL INTEGRATION OF BIODIVERSITY

For PDBs, ‘mainstreaming’ biodiversity¹⁵ into all public and private decisions requires first, and foremost, a pro-active, anticipatory approach at strategic and political levels.

MAINSTREAMING ENVIRONMENTAL CONSIDERATIONS: BIODIVERSITY LAGGING BEHIND CLIMATE

- Many PDBs made commitments to align their activities with the goals and principles of the Paris agreement and have now made significant progress in integrating climate risks in their investments. This is nevertheless proving a significant organizational challenge. Efforts needed to integrate climate considerations may thus be constraining PDBs from starting on a similar process for nature. Another constraint is the lack of a single overarching goal for biodiversity corresponding to the 1.5°C warming

limit for climate¹⁶. On the other hand, climate commitments represent an opportunity to scale up nature-positive investment via nature-based solutions¹⁷ and experience already gained.

- A few prominent PDBs, multi- and bilateral, are leading the way to improve biodiversity mainstreaming. However, at present biodiversity is poorly integrated into the strategies of most larger banks, and is not even on the radar for most smaller ones.

SUSTAINABILITY AND PDBS: MANDATES AND COMMITMENTS

- PDBs’ formal mandates are established in legal founding documents (Articles of Association) and mostly focus on economic and social goals. Only an exceptional few mention environmental protection as part of their mandate.

¹⁵ The CBD defines the [mainstreaming of biodiversity](#) as “integrating or including actions related to conservation and sustainable use of biodiversity at every stage of the policy, plan, programme and project cycle, regardless whether international organizations, businesses or governments lead the process”.

¹⁶ The recent proposal of a succinct Global Goal for Nature (Locke et al. 2021) could usefully contribute to this discussion

¹⁷ IUCN [defines nature-based solutions](#) (NbS) as “actions to protect, sustainably manage, and restore natural or modified ecosystems, that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits.”

PDBs derive direction from their government owners and shareholders and are typically supervised by finance ministries. PDBs' supervisors may not have a clear understanding of nature-related risks, which can hinder mainstreaming of nature and environmental sustainability in PDBs' investment decisions. However, conversely PDBs are also often able to influence and guide government on sustainability issues.

- The proportion of reviewed PDBs with stated sustainability commitments¹⁸ decreases from multilaterals through bilateral and regional to national PDBs (Figure F). A similar pattern was evident for specific accreditations or engagements

with environmental funds or standards, and for representation of environmental SDGs in PDBs' reports¹⁹. Stated commitments for general sustainability were more common than for climate, and still fewer PDBs had stated commitments for biodiversity.

Beyond this (still limited) political and strategic integration of biodiversity by PDBs, biodiversity issues also need to be mainstreamed in PDBs' financial and technical operations. Findings presented thereafter take stock of biodiversity integration at the operational level, through the complementary aspects of 'greening finance' and 'financing green'.

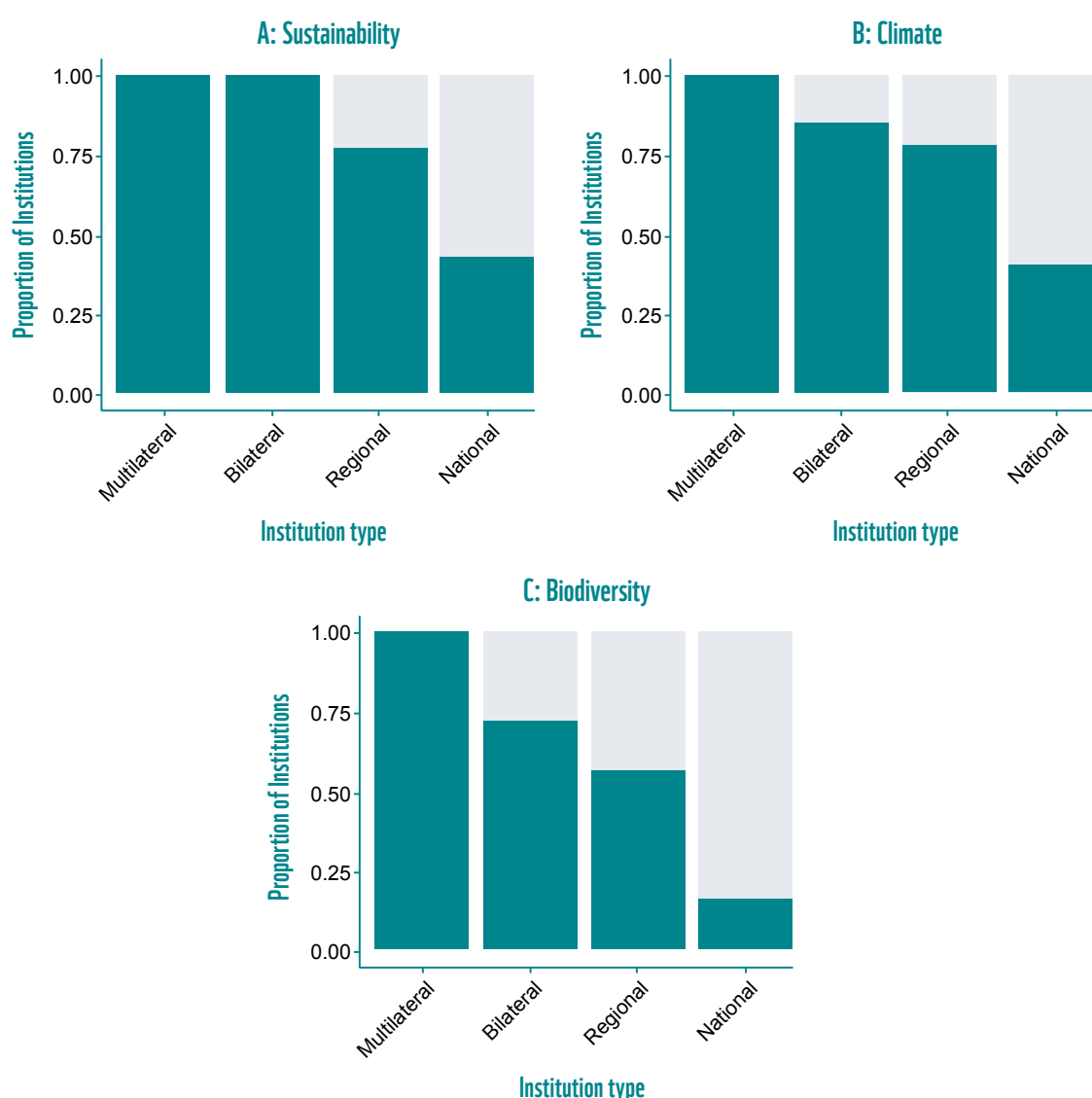
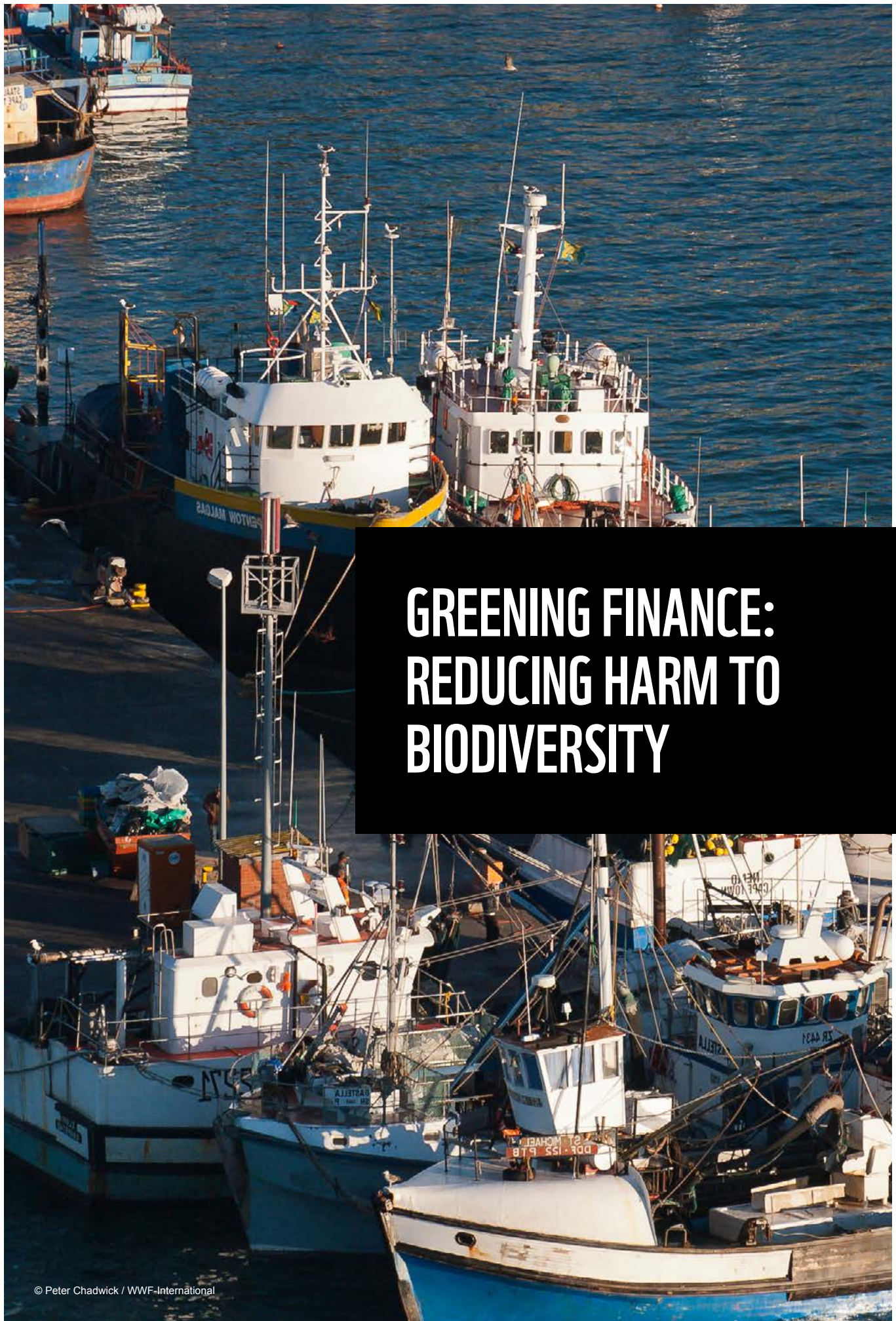


Figure F. The proportion of reviewed PDBs of different types that had stated commitments on (A) sustainability, (B) climate, and (C) biodiversity. Number of PDBs reviewed: Multilateral N = 11, Bilateral N = 21, Regional N = 9, National N = 57

¹⁸ Commitments may be stand-alone statements, included in strategic documents, or expressed through adoption of environmental and social safeguards frameworks.

¹⁹ For 236 PDBs in [AFD's global PDB database](#).



© Peter Chadwick / WWF-International

To ensure that financing at minimum does no harm to nature, biodiversity must be accounted for when identifying, preparing, appraising, negotiating, approving and finally implementing and evaluating projects and programs. Study findings show that PDBs implement several processes and practices to reduce harm to biodiversity, but major challenges remain.

UPSTREAM PLANNING

Upstream planning is a highly valuable and important tool for enabling impact avoidance.

- Upstream planning²⁰ (sometimes incorporated in Strategic Environmental Assessment - SEA) is a highly valuable and important tool for enabling impact avoidance, and reducing project risks and mitigation costs.
- However, it is still little deployed by PDBs and there are many barriers that prevent it happening. It involves working with government

and many other stakeholders; the responsibility of individual PDBs and remit for their involvement may not be clear; it requires significant resources (which are not guaranteed to return from future investment) and can be a lengthy and contentious process. Nevertheless, some banks are leading the way through pro-active engagement in upstream planning, such as the International Finance Corporation's (IFC) work at country and sector level to de-risk potential investments.

SAFEGUARDS FOR BIODIVERSITY

- Environmental safeguards²¹ are the main mechanism used by PDBs for managing biodiversity risk. Each MDB has its own environmental and social safeguard framework, including standards for biodiversity, while most bilateral development banks have adopted IFC's Performance Standards. Some banks only reference Environmental Impact Assessments (EIAs), thus relying on (often weak) national regulatory processes.
- However, around half of regional development banks and a large majority of national development banks have no formal biodiversity safeguards (Figure G).
- IFC's Performance Standard 6 on Biodiversity and Sustainable Management of Living Natural

Resources (dating from 2012, with guidance updated in 2019) is widely influential among both public and private banks, and adopted by the 115 Equator Principles Financial Institutions²².

- There is extensive conceptual and practical convergence between the major MDBs' respective biodiversity standards, expected to be enhanced further by current revisions. Key features of most include:
 - A risk-based approach
 - Application of the Mitigation Hierarchy to avoid, minimize, restore and (as a last resort) offset impacts

²⁰ In the context of this study, upstream planning refers to systematic, pro-active sectoral planning that can guide future project development, taking into account technical and economic feasibility and environmental and social constraints across a large spatial scale.

²¹ Policies, standards and operational procedures designed to identify and mitigate adverse environmental impacts that may arise in the implementation of development projects (see e.g. <http://assets.worldwildlife.org/publications/844/files/original/SafeguardsonepagerFINAL.pdf>)

²² The Equator Principles (EPs) is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence and monitoring to support responsible risk decision-making. See <https://equator-principles.com/wp-content/uploads/2021/02/The-Equator-Principles-July-2020.pdf>

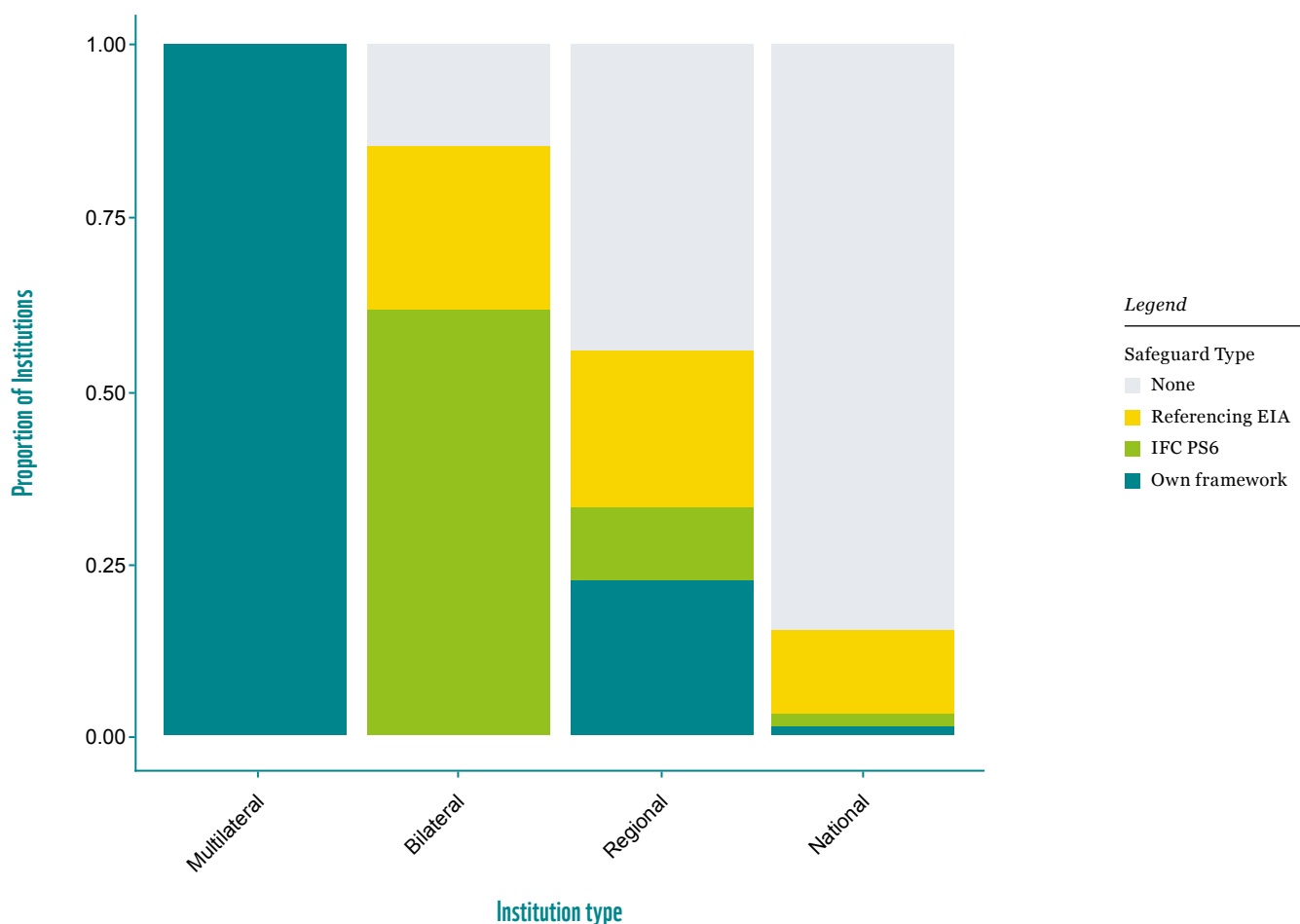


Figure G. Safeguard status of 98 reviewed banks, as proportion of each bank type (Multilateral N = 11, Bilateral N = 21, Regional N = 9, National N = 57)

- Criteria to identify biodiversity features of high concern
- Requirements for measurable outcomes (e.g. no net loss or net gain) for priority features
- Requirements for planning, implementing and monitoring mitigation actions and (if necessary) offsets.
- The requirements of MDBs' biodiversity standards go well beyond those of typical EIAs. In many countries, EIAs are likely to fall well short of international good practice for managing biodiversity risk.
- Safeguards are essentially a reactive mechanism to avoid risks and reduce harm. This contrasts with the more 'upstream' proactive approach of integrated strategic planning (see above). Nevertheless, safeguards are considered to have great value, not least in defining a clear process

and checkpoints that force consideration and management of risk. Well-applied safeguards strongly encourage developers to apply the mitigation hierarchy, especially to avoid potential project impacts through early planning and alternatives analysis.

RISK SCREENING

- Especially in the absence of upstream planning, risk-screening is an essential step in the application of safeguards, that identifies projects with potentially high biodiversity risk. Many PDBs screen for biodiversity risks and may decide on this basis not to proceed further with high-risk projects. However, risk screening is not universally or consistently applied and important impact avoidance opportunities may thus be missed. The Integrated Biodiversity Assessment Tool (IBAT) is by far the most widely applied risk screening tool, but many PDBs lack access to it.

CHALLENGES IN SAFEGUARD IMPLEMENTATION

- Overall, PDBs' implementation of biodiversity safeguards is variable and patchy, although with performance generally improving among those using formal safeguard frameworks. Larger banks in particular are aware of deficiencies in safeguard application and are taking steps to address them. Identified challenges with implementing biodiversity safeguards include:
 - Limited internal PDB capacity
 - Capacity limitations among clients, regulators and stakeholders
 - Considering avoidance too late in the project timeline
 - Inadequate budget provision for mitigation costs
 - Inadequate monitoring and supervision
 - Inadequately addressing indirect and cumulative impacts
 - Difficulty in applying to agricultural projects and to supply chains

- Difficulty in applying to financial intermediaries and corporate funding
- Not applicable to public policy loans
- Inconsistent interpretation and application of requirements
- Poor consultant performance
- Perceived complexity and cost, causing reduced competitiveness
- Data gaps and lack of simple, widely applicable metrics.

BIODIVERSITY OFFSETS

- Biodiversity offsets are an important element of safeguard frameworks. Offsets represent the final step in the mitigation hierarchy, a last resort to compensate for residual impacts that cannot be avoided, minimized or restored. However, they face many design and implementation challenges. Many PDB staff and experts are sceptical about the feasibility of implementing offsets successfully; and offsets being implemented under PDBs' safeguards frameworks are mostly too recent for their actual success to be determined.

DISCLOSURE

- All MDBs have disclosure requirements for project assessments both before and once funding is approved. Routine disclosure is far less common among other types of PDBs, practiced by around a fifth of the bilateral development banks and around 6% of national banks reviewed.
- Reporting on project outcomes for biodiversity (i.e. the implementation and effectiveness of mitigation and offset measures) remains generally weak.
- Improved disclosure will be important in driving up standards. The emerging Task Force for Nature-related Financial Disclosures (TNFD) is a significant development, anticipated to support and encourage PDBs to analyse, report on and address nature-related risk in investment portfolios.

Reporting on project outcomes for biodiversity remains generally weak.



FINANCING GREEN: SCALING UP NATURE- POSITIVE INVESTMENTS

© Mazidi Abd Ghani / WWF-Malaysia

There is need to go beyond a safeguard approach to contribute to an overall nature-positive economy. Achieving global biodiversity targets will require major scaling-up in positive investments that conserve and restore nature, and also mitigate climate change. PDBs are centrally positioned to play a role in this and influence the finance sector. The study findings outlined below present the opportunities and challenges.

OPPORTUNITIES FOR NATURE-BASED SOLUTIONS

The nature-based solutions (NbS) sub-set of climate finance presents the largest opportunity for nature-positive finance.

- Most multilateral, bilateral and regional development banks, though only a few national development banks, are making investments that indirectly benefit nature, e.g. via climate funding (Figure H).
- Far fewer PDBs are making direct investments in nature. Around two-thirds of MDBs do make direct nature-positive investments, using a wide range of financial mechanisms. However, this financing remains very small-scale relative to other investments.
- The nature-based solutions (NbS) sub-set of climate finance presents the largest opportunity for nature-positive finance.
- Despite evidence and international declarations to increase funding for NbS as an integral part of climate solutions finance (e.g. in France and the UK), NbS projects currently form a very small proportion of such finance. Climate finance itself is still a small fraction of overall PDB lending portfolios that is not yet proportionate to the Paris Agreement.
- Although still a small fraction of overall investment portfolios, there is a rapidly growing demand for impact investing focused on nature-positive outcomes. But the 'supply side' of investment-ready, bankable nature-positive projects is not yet well developed enough to enable societal or bank aspirations to scale up nature-positive financing.
- PDBs have a clear potential role as matchmakers between nature-positive projects and a range of investors, e.g. as enablers of blended finance mechanisms.
- The establishment of Natural Capital Lab units within PDBs as incubators for innovative financing for nature (e.g. IDB followed by ADB, and EIB's²³ Natural Capital Financing Facility²⁴) is a promising development that could have large leverage potential.

CHALLENGES TO SCALING-UP FINANCING GREEN

- Scaling-up is a major challenge facing biodiversity positive investments. They are not direct, traditional business for PDBs and are widely perceived as risky, low return, entailing high transaction cost, and with long lead-times for financial returns due to socio-ecological dynamics. There are presently no markets for many of the biodiversity stocks and ecosystem services flows that make up natural capital.
- There are technical challenges in measuring and demonstrating biodiversity value, and in aggregating small investment units and bundling benefits, with, as yet, limited data or scalable metrics. Intermediaries are needed to help identify and cluster projects, streamline assessment and reduce transaction costs.
- NbS is the biggest single nature-positive investment opportunity class. However, expertise, skills

²³ Respectively the Inter American Development Bank (IDB), the Asian Development Bank (ADB) and the European Investment Bank (EIB)

²⁴ [EIB nd](#)

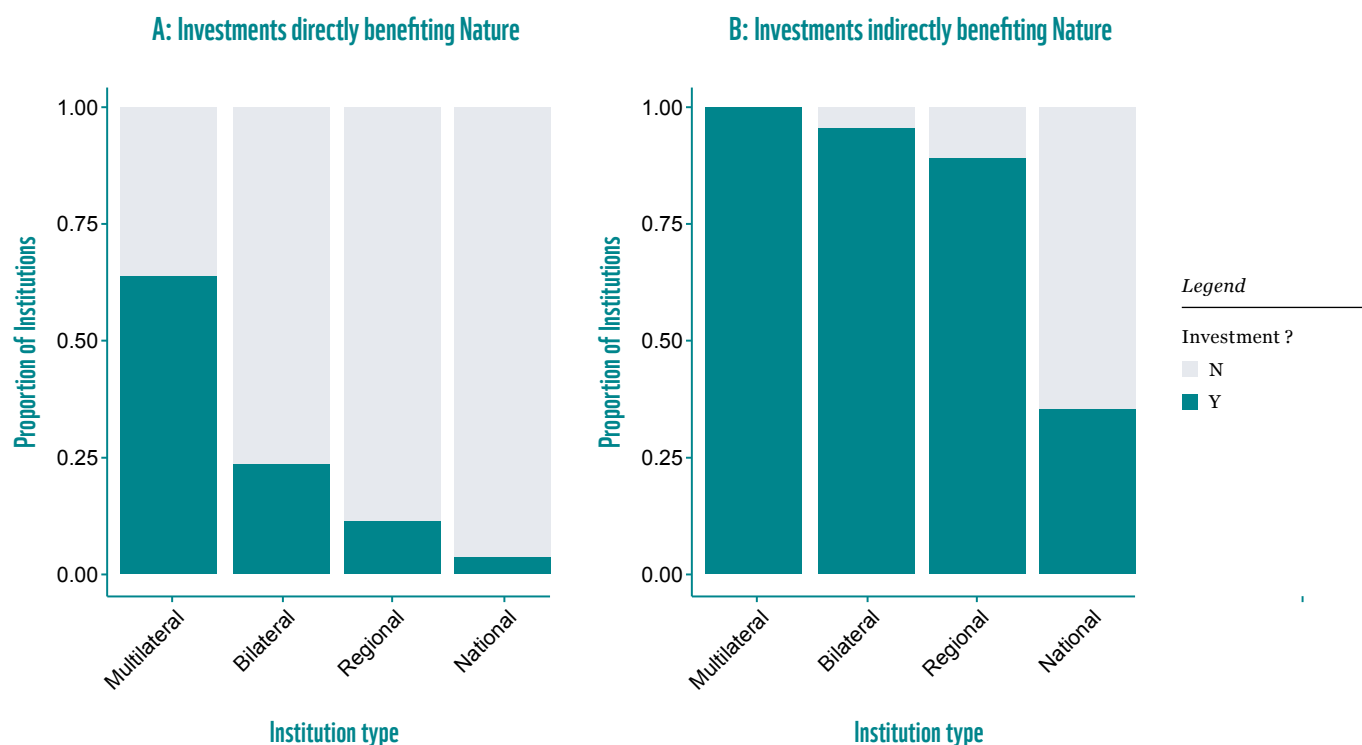


Figure H. The proportion of 98 reviewed banks conducting (A) direct investment in biodiversity²⁵, and (B) investment that might indirectly benefit biodiversity²⁶, split by type of bank. (Multilateral N = 11, Bilateral N = 21, Regional N = 9, National N = 57)

and technical capacity to identify and assess NbS opportunities are limited, and an appropriately tailored risk appraisal and rating process is lacking.

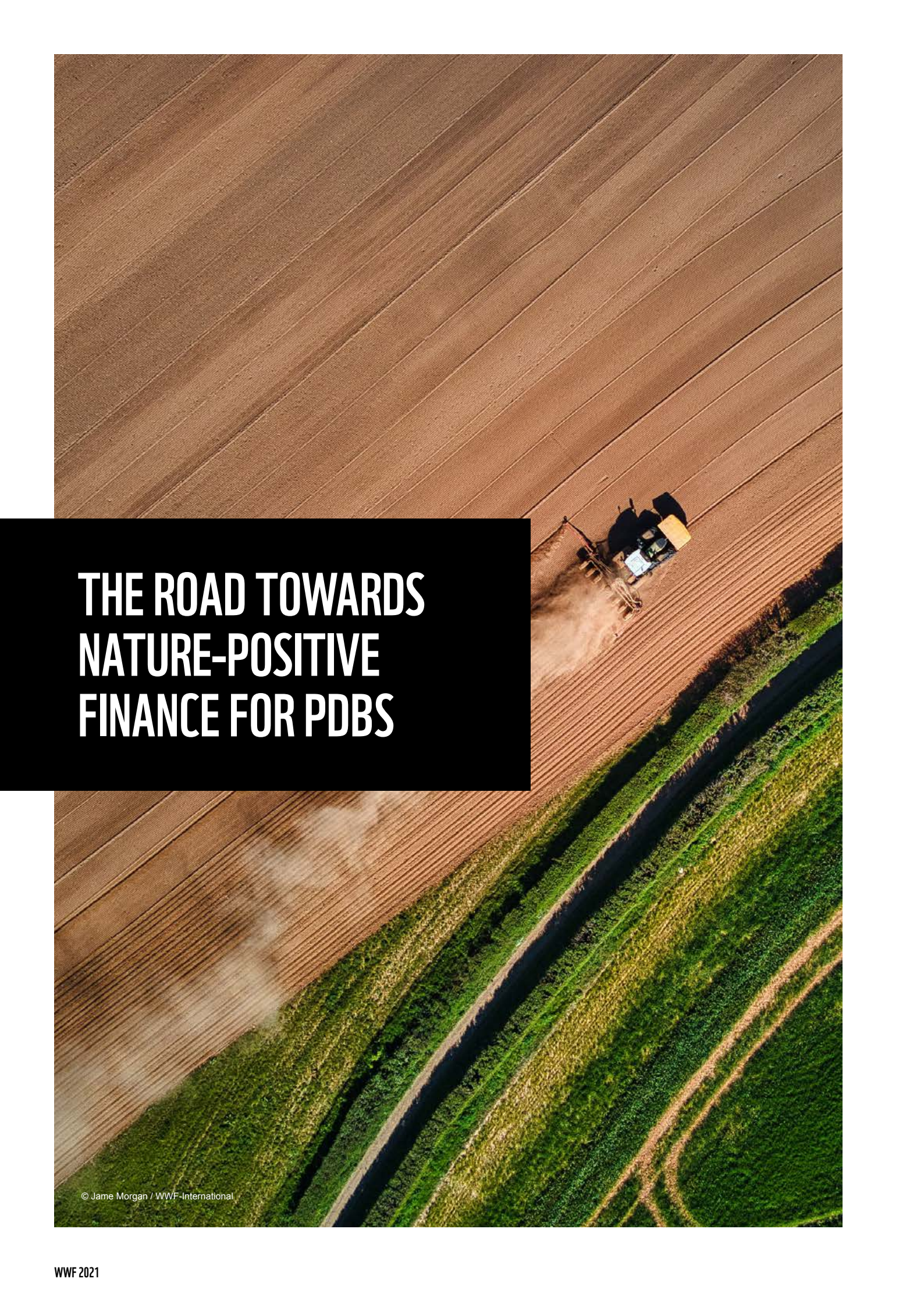
- Interviewees were generally circumspect about the possibility of rapid scaling up in nature-positive finance, given the substantial constraints to overcome.

In both these complementary aspects of ‘greening finance’ and ‘financing green’, findings also highlighted that gaps in biodiversity data, analytical tools

and metrics could limit biodiversity mainstreaming at operational level and slow the scaling-up of nature-positive investments. Yet there have been significant recent advances in available datasets and methods. With biodiversity conservation now an increasing priority in the political, diplomatic and business arena there is scope to accelerate the development and use of these new approaches.

²⁵ Financing where the main or a significant aim is to improve the status of biodiversity (e.g. through ecosystem protection or development of relevant capacity)

²⁶ Financing that is not directly aimed at improving biodiversity status, but likely to be positive for biodiversity (e.g. through measures to mitigate climate change)

An aerial photograph of a large agricultural field. A tractor is visible in the lower right, plowing a furrow in the brown soil. The field is divided into sections of different colors, including brown, green, and yellow. A black text box is overlaid on the left side of the image.

THE ROAD TOWARDS NATURE-POSITIVE FINANCE FOR PDBS

© Jame Morgan / WWF-International

Findings highlight several striking elements. They call for a differentiated engagement strategy, where PDBs should aim at ambitious progress, but considering their starting baseline.

TOOLS AND METHODS TO SUPPORT GREENING FINANCE AND FINANCING GREEN

An increasingly large range of biodiversity metrics and tools is now available to help PDBs improve the biodiversity performance of their activities.

The study identified six key ongoing trends:

1. More varied, more precise and more useable data layers;
2. Practical tools for portfolio- and corporate-scale biodiversity assessment;
3. Practical metrics for assessing biodiversity opportunities as well as impacts;
4. Integrated availability of climate and biodiversity data;
5. Standardised tools and processes for demonstrating alignment with societal goals for biodiversity;
6. Standardised tools for reporting and disclosure of biodiversity performance.

Taken together, these trends should allow PDBs to better mainstream biodiversity at different levels. At the strategic level, science-based methodologies (e.g. the Science-based Targets Network²⁷) can provide PDBs and their public supervisory authorities with possible means to align their portfolios with targets agreed upon in the CBD post-2020 global biodiversity framework. Better tools to assess risks and dependencies (e.g. ENCORE, Trase Project) can

help PDBs to integrate biodiversity considerations in their strategic approaches. At the operational project level, tools and metrics (e.g. IBAT, STAR²⁸) and improved spatial datasets can significantly improve risk-screening processes and support better application of the mitigation hierarchy, including through upstream planning. Metrics and tools focusing on opportunities (e.g. STAR) and integrating nature and climate elements (e.g. NatureMap, FAO's EX-Ante Carbon-balance Tool) can help to focus nature-positive investments and the standardization of nature-based solutions, reducing risk and cost and facilitating their development at scale. Finally at the disclosure and reporting level, harmonized metrics (e.g. the Global Biodiversity Score - GBS, and STAR) can help PDB teams and boards, experts but also importantly civil society, to monitor PDBs' progress against their stated commitments and strategies.

Overall, the rapid development of data, metrics, methods and tools in the field of biodiversity provides PDBs with the technical means for deep mainstreaming; but this will come with greater responsibility and scrutiny, including by civil society organizations.

The rapid development of data, metrics, methods and tools in the field of biodiversity provides PDBs with the technical means for deep mainstreaming.

²⁷ See <https://sciencebasedtargetsnetwork.org/>

²⁸ Species Threat Abatement and Recovery (STAR) Metric (Mair et al. 2021)

BIODIVERSITY MAINSTREAMING

PDBs are a big and diverse group, and different PDBs are at very different stages in mainstreaming biodiversity. Considering PDBs by overall size of assets is therefore useful here.

LARGE PDBS: CHAMPIONS BUT CAN DO STILL BETTER

Several of the large MDBs are leading the way in 'greening finance', although the focus mainly remains on safeguards for now rather than a deeper integration of nature into strategy and process. Some are actively innovating on nature-positive investments and promoting policy reform, though at relatively small scale. In contrast to climate financing, hardly any of these PDBs as yet have clear stated investment targets for biodiversity.

Capacity is growing, standards and guidance are being refined, and there is a generally improving picture.

These leading banks have a cadre of committed and experienced staff and are working actively to address gaps and challenges in safeguard implementation. Capacity is growing, standards and guidance are being refined, and there is

a generally improving picture. However, the problems are hard to crack and environment-focused staff are also busy with project work and may have limited power to convene processes and influence decisions in their organisations.

Even among the leaders, there remain some significant gaps between stated ambition and implementation reality, and some large PDBs are lagging well behind. China has several of the world's largest PDBs, but these lack stated biodiversity commitments or well-developed safeguards, relying on the EIA process to manage risk.

MID-SIZE PDBS: EMERGING COMMITMENTS BUT LIMITED CAPACITY

Mid-size PDBs (predominantly the members of EDFI or IDFC²⁹) present a varied picture. Their attention to biodiversity relates in part to how far they are commercially versus policy focused. A few, following strong government direction, are at the global cutting edge of thinking and action. However, most are much more reactive regarding nature. While signed up to strong safeguards (and sometimes other strong commitments) on paper, there are evidently large gaps in capacity and implementation. Few have biodiversity specialists on staff, relying on a generalist E&S function and external advice. They do not appear to have clear internal targets on climate or biodiversity investment, with very few exceptions.

SMALL PDBS: ENVIRONMENT BARELY ON THE RADAR

Among smaller banks, there are a few outstanding examples of commitment and positive activity, though focused more on climate than on biodiversity. For most others the environment is barely on their radar. Some are engaging with climate issues, but the vast majority have very limited or no commitments, processes or staffing in place to address biodiversity concerns, beyond the standard regulatory mechanisms for project approval that are weak in many countries.

BIODIVERSITY SAFEGUARDS: PRACTICAL CHALLENGES AND PATCHY REPORTING ON IMPLEMENTATION

Safeguards remain a very valuable if imperfect tool for reducing harm. However, they still have very limited effect in promoting nature-positive financing,

despite net gain requirements in some instances. Effective application of safeguards requires a robust framework, significant resourcing for ensuring and

²⁹ Respectively the the Association of European Development Finance Institutions (EDFI) and the International Development Finance Club (IDFC)

verifying implementation, internal systems and a culture to make sure that biodiversity concerns are considered in project appraisal and approval, a robust disclosure and reporting framework that encourages both clients and banks to meet the standards, and a powerful ombudsman or similar oversight mechanism. Only a few PDBs have such a well-specified approach in place.

Most PDBs (and particularly the smaller national and sub-national banks) do not have formal safeguard frameworks at all for biodiversity, and may not see biodiversity as a major issue, even though their financing may be causing damage to nature.

PDBs face practical challenges applying safeguards in contexts of financial intermediaries and public policy loans, and where the regulatory framework is weak and governments (as clients) have not bought into safeguard provisions. In addition, budgetary constraints and commercial competition still tend to create an uneven playing field – favouring finance that has less rigorous environmental requirements.

PDBs' reporting on how safeguards are implemented, and the outcomes, remains very patchy and incomplete.

FINANCING GREEN: TOWARDS A NATURE-POSITIVE ECONOMY

THE WAY AHEAD: BIODIVERSITY PIGGYBACKING ON CLIMATE

For PDBs, and the finance sector as a whole, climate is far ahead of biodiversity as a concern for both greening finance and financing green. So-called 'green' investment is nearly entirely climate-focused, mainly on technology. Hence, climate progress forms a platform for biodiversity progress, both in process and substance. While investment remains at very small scale, and there are mixed opinions about the potential to scale up, nature-based solutions are a real potential bridge between climate and biodiversity, which need to be promoted.

POST COVID-19 RECOVERY NATURE-POSITIVE FINANCE: THE WEAK LINK

Financing for COVID-19 recovery, including in massive infrastructure investments, has so far paid little attention to nature³⁰. This both misses an opportunity and potentially does significant harm. Economic stimulation packages should be re-directed at nature-based opportunities – such as sustainable agriculture and fisheries, ecosystem-based coastal protection and watershed management. Here, PDBs could play a central role. To this end, such

nature-positive investments could either be linked to sustainability criteria in recovery lending, or be embedded in potential debt relief and restructuring mechanisms (e.g. debt swaps).

INVESTING IN NATURE: UNLOCKING PRIVATE FINANCE VITAL BUT NOT STRAIGHTFORWARD

Direct nature-positive investment by PDBs (and the finance sector generally) is still very small-scale and patchy. It appears that much of current PDB nature-positive financing is not really commercial but in the nature of grants and facilitation of external funding (e.g. from the Global Environment Facility - GEF).

Private finance must be unlocked to scale up nature-positive investment significantly.

A large suite of finance tools is available for this, but there are many practical challenges. Study respondents had mixed opinions about the feasibility of scaling up investment, and the role of 'blended finance' approaches. Nevertheless, for PDBs that can access or provide concessionary funding, blended finance does hold potential as a catalyst for private investment – which is the key for going to scale.

Post covid-19 economic stimulation packages should be re-directed at nature-based opportunities.

³⁰ Vivid Economics & F4B (2021)

A TIERED APPROACH

Overall, PDBs can be classed in three tiers in relation to their level of biodiversity mainstreaming, how they manage biodiversity risk and how far they invest in nature.

TIER C: NO CONSIDERATION OF NATURE

Most small PDBs, including most national and sub-national banks, as well as some larger PDBs, currently do not recognise either biodiversity risks or opportunities. They do not have stated environmental commitments, rely on regulatory EIA processes rather than safeguard frameworks to manage risk, and have no investments in nature.

TIER B: SOME CONSIDERATION OF BIODIVERSITY RISK, LITTLE NATURE INVESTMENT OR MAINSTREAMING

Many mid-sized PDBs, including most regional and bilateral banks, do recognise the need to manage biodiversity risk. They typically have at least general environmental commitments and apply biodiversity safeguards (IFC's PS6, or in their own frameworks) though with limited supporting structures or capacity. They usually have few if any direct investments in nature, and these are not driven by institutional policy.

TIER A: BIODIVERSITY MAINSTREAMING BEGUN, BUT FURTHER WORK NEEDED

Most MDBs, some other larger PDBs (especially those with a public-sector focus) and a very few small PDBs at regional to sub-national scale have clear stated commitments to biodiversity. They consistently apply biodiversity safeguards, supported by relatively robust (if not always fully adequate) structures and capacity. They have climate investment targets, and a few are developing targets for investment in nature as a component of these. Their investments in nature are still at a low level, but increasing and driven by institutional policy.

PDBs in all tiers can take steps towards greening finance and scaling-up financing green, but for each tier different steps are appropriate and feasible.

³¹ Document CBD/SBI/3/5/Add.3



RECOMMENDATIONS

© James Morgan / WWF-International

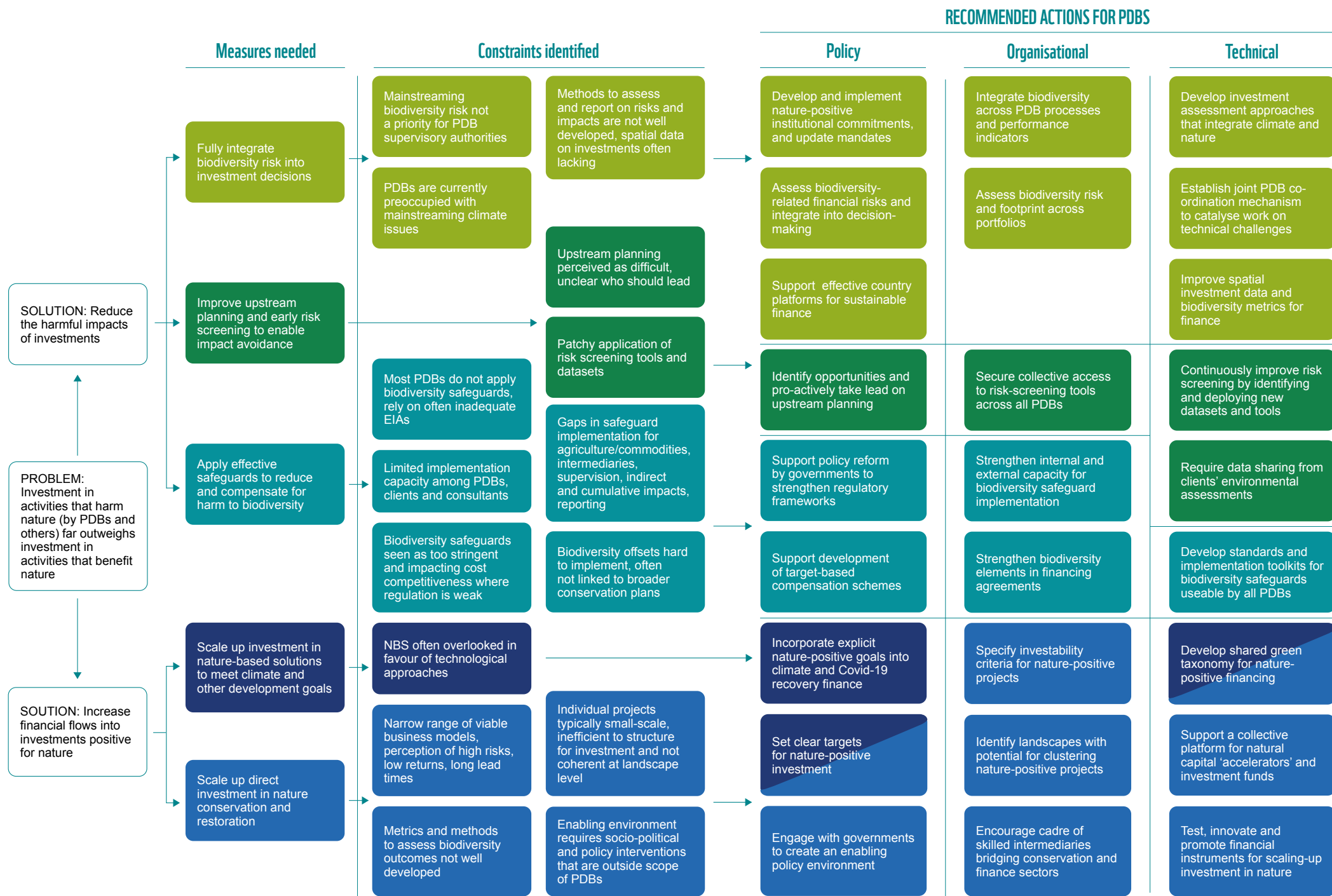


Figure I. Summary of problem statement, actions needed, constraints identified and recommendations to address these

PDBs are an integral part of the larger, complex community of finance institutions. While many recent reports on biodiversity and finance have already put forward a range of recommendations, this study focuses on actions particularly relevant to PDBs – with the emphasis on practical actions that can be started immediately.

A PROPOSED THEORY OF CHANGE

Figure I (page 26) summarizes the overall problem, necessary actions, constraining factors and recommendations identified in this study. Within the framework of the complementary approaches of greening finance and financing green, and building on the third report of the CBD panel of Experts on resource mobilization³¹, five key PDBs' actions are identified:

1. Fully integrate biodiversity risk into investment decisions
2. Improve upstream planning and early risk screening to enable avoidance of impacts
3. Apply effective safeguards to reduce and compensate for harm to biodiversity

4. Scale up investment in nature-based solutions to meet climate and other development goals
5. Scale up direct investment in nature conservation and restoration.

Outlined below are the measures needed, the constraints to implementing these key actions, and finally the ways that these constraints could be addressed. Recommendations are at policy, organisational and technical levels and aimed at PDBs, some are also relevant for governments, Non-Governmental Organisations (NGOs) and researchers. Prioritized recommendations are then presented for the different tiers of PDBs.

GREENING FINANCE ACTION 1: FULLY INTEGRATE BIODIVERSITY RISK INTO INVESTMENT DECISIONS

CONSTRAINTS IDENTIFIED

- Mainstreaming biodiversity risk is often not a priority for PDBs' supervisory authorities. Often these are state treasuries or finance ministries with a strongly economic focus.
- PDBs are currently preoccupied with mainstreaming climate issues, which constrains their capacity to integrate nature as well.
- Methods to assess and report on risks and impacts exist but are not well developed. Spatial data on investments is often lacking which is a challenge for assessing risks and impacts.

POLICY RECOMMENDATIONS

- Develop and implement specific nature-positive institutional commitments. PDBs can engage with supervisors and shareholders to re-align the institutional remit and investment strategy towards

sustainability, with a public commitment to overall positive outcomes for nature as part of a holistic set of social and environmental imperatives. Preferably, this would be established in an updated legal mandate.

Here, well-capacitated civil society organizations could play an important role in advocating to shareholders and supervisory authorities (governments, parliaments, ministries), and ensuring that biodiversity commitments, plus disclosure of progress towards these, are requested from PDBs (e.g. as part of their mandate).

- Assess the economic benefit of managing biodiversity risk. PDBs could recognize the need to assess and act on financial risks related to biodiversity, and start the processes to begin such assessments. This would make the business case for better mainstreaming of biodiversity within PDBs.

Civil society organizations could play an important role in advocating to shareholders and supervisory authorities.

- Support effective country platforms for sustainable finance. Country platforms that bring together a range of finance institutions can help to create common standards (and thus a level playing field) for sustainability in financing. PDBs are well placed to lead or support such initiatives.

ORGANISATIONAL RECOMMENDATIONS

- Integrate biodiversity across PDB processes, performance indicators, reporting and disclosure, including for sectors that are particularly high risk (e.g. agriculture). To mainstream nature in decision-making there is need to review internal processes to ensure that nature considerations are integrated with all stages and elements of investment decision-making and monitoring. By supporting The Task Force for Nature-related Financial Disclosures (TNFD), PDBs can also help develop an effective common framework for nature-related risk analysis, reporting and disclosure in the financial sector.
- Assess biodiversity risk and footprint across portfolios. Using existing tools, PDBs could develop at least an initial understanding of the potential biodiversity risks present in their current investment portfolios.

TECHNICAL RECOMMENDATIONS

- Establish a joint PDB co-ordination mechanism to catalyse work on technical challenges. PDBs could set up and resource a co-ordination mechanism for collective technical work to allow sharing experience and learning, and co-ordinated follow-through with governments, partners and stakeholders. Although some PDBs' working groups already exist on biodiversity issues, they mainly concern sub-sets of PDBs (federations, clubs) and remain rather internal. There is need for a larger platform catalysing technical work with partners.
- Develop investment assessment approaches that integrate climate and nature. To fulfil the potential of nature-based solutions, tools are needed to consider climate and nature together, not in separate silos, when assessing investments.
- Improve spatial investment data and biodiversity metrics for finance. PDBs could proactively engage with and further support initiatives and processes to improve spatial data and metrics for finance that can support scaleable assessment, mitigation, monitoring and reporting of biodiversity risk in future.

GREENING FINANCE ACTION 2: IMPROVE UPSTREAM PLANNING AND EARLY RISK SCREENING TO ENABLE IMPACT AVOIDANCE

CONSTRAINTS IDENTIFIED

- Upstream planning perceived as difficult, and unclear who should lead. For PDBs, upstream planning is generally seen as 'someone else's job', with concern about the cost, time required and the potentially burdensome need to work closely with governments and many other stakeholders.
- Patchy application of risk screening tools and datasets. Many PDBs do not apply screening, or do not fully use the range of relevant and up-to-date tools available.

POLICY RECOMMENDATIONS

- Identify opportunities and pro-actively take lead on upstream planning. PDBs could ramp

up collaborative efforts for upstream planning in landscapes and sectors of strategic interest, an effective way to 'de-risk' future projects with associated time and cost savings. Strategic planning is also an opportunity to design a compensation framework (for residual impacts to biodiversity, after rigorous mitigation) that is as effective as possible for conservation.

- Play a stronger role in supporting policy in partner countries (through policy loans or grants to support mainstreaming) and build best practice and standards into national regulation, including in helping to establish policies for no net loss (NNL) and net gain (NG) at a national scale. In turn, this also entails necessary support for capacity building for governments to implement these policies and ensure compliance.

ORGANISATIONAL RECOMMENDATIONS

- Pay greater attention in PDBs' processes, culture, performance criteria to upstream analysis at the geographic and sectoral level, in complement with the continued promotion of PS6 oriented project-level analysis.
- Secure collective access to risk-screening tools across all PDBs. This would enable much wider

application of key tools such as the Integrated Biodiversity Assessment Tool (IBAT) in support of impact avoidance.

TECHNICAL RECOMMENDATION

- Continuously improve risk screening by identifying and deploying new datasets and tools. Many new tools and datasets are coming on stream that can improve biodiversity risk management.

GREENING FINANCE ACTION 3: APPLY SAFEGUARDS TO REDUCE AND COMPENSATE FOR HARM TO BIODIVERSITY

CONSTRAINTS IDENTIFIED

- Most PDBs do not apply well-developed biodiversity safeguards but rely on Environmental Impact Assessment (EIA). This is often a flawed process that in many countries can fall far short of international good practice, and is not effective for biodiversity risk management.
- Limited implementation capacity among PDBs, clients and consultants can impair the effectiveness of safeguard implementation.
- Biodiversity safeguards can be seen as too demanding, impacting cost competitiveness where regulation is weak. Although this is a short-sighted perspective, it can push governments or business clients towards financiers that have less stringent environmental requirements.
- Safeguard implementation often falls short at present in several areas, including for agriculture and supply chains, financing through intermediaries, supervision of mitigation measures, inclusion of indirect and cumulative impacts, and reporting of outcomes.
- Biodiversity offsets can be challenging to implement. Offsets are often also implemented project by project, and not linked to broader conservation plans, which can reduce their value for conservation.

- Support development of target-based compensation schemes. PDBs could support and encourage national governments to develop target-based biodiversity compensation schemes linked to national contributions to the post-2020 global biodiversity goals. This would reduce the planning and transaction costs for biodiversity offsets, and improve their conservation outcomes.
- As rapidly as possible, strengthen disclosure and reporting, and institute or strengthen grievance mechanisms, on the actual implementation of biodiversity safeguards. Civil society organizations play a crucial role here in closely monitoring safeguard implementation on the ground and supporting complaints and their handling.

PDBs should strengthen disclosure and reporting, and institute or strengthen grievance mechanisms.

ORGANISATIONAL RECOMMENDATIONS

- Strengthen internal and external capacity for biodiversity safeguard implementation. MDBs and bilateral PDBs could work together to scale up capacity-development and training efforts on international good practice, for governments, smaller PDBs, consultants and civil society.
- Strengthen biodiversity elements in financing agreements, ensuring budget is allocated for supervisory visits and for monitoring, and setting clear financing, monitoring and reporting requirements for offsets.
- For sectors strongly linked to biodiversity loss, and where current safeguard implementation appears inadequate, e.g. in protein (animal agriculture) production, further research may be valuable to better understand current limitations and ways forward.

POLICY RECOMMENDATIONS

- Support policy reform by governments to strengthen regulatory frameworks, especially on EIA and safeguards. MDBs and bilateral PDBs could work with governments that they support to enable policy reform, advising on the elements that need to be incorporated in regulatory frameworks to move towards international good practice

TECHNICAL RECOMMENDATION

- Develop standards and implementation toolkits for biodiversity safeguards useable by all PDBs. Larger PDBs could work with smaller ones to

support development of clear benchmarks and develop implementation toolkits for minimum standards on biodiversity performance, including improved transparency and disclosure.

FINANCING GREEN ACTION 4: SCALE UP INVESTMENT IN NATURE-BASED SOLUTIONS TO MEET CLIMATE AND OTHER DEVELOPMENT GOALS

CONSTRAINTS IDENTIFIED

PDBs should incorporate explicit nature-positive goals into climate finance.

- Despite their great potential to meet climate and other goals, nature-based solutions are often overlooked in favour of technological approaches.
- Criteria and guidelines for identifying and implementing nature-based solutions are new and not yet well-known or broadly accepted. As yet, this might limit the generalisation of NbS.

within finance goals for climate. Such a climate-biodiversity integration approach at the strategic level was recently announced by France and the UK³², and now needs to be embraced by most PDBs. A similar approach to Covid-19 recovery finance would help achieve the goal of 'building back better'.

TECHNICAL RECOMMENDATION

POLICY RECOMMENDATION

- Incorporate explicit nature-positive goals into climate and Covid-19 recovery finance. Biodiversity, climate and health goals are intrinsically linked. Hence, a potentially powerful way to scale-up nature-positive financing is to incorporate an explicit target for nature-positive investments

- Develop, publicize and apply clear and shared criteria, standards (e.g. in terms of scale, returns and safeguards)³³ and green taxonomy to facilitate growth of bankable nature-positive investments in PDBs' portfolios. 'Taxonomies' are a practical tool to assess the extent to which particular investments can be classed as nature-positive. The EU taxonomy for sustainable activities is currently being extended to cover biodiversity, and could form the basis for a framework with broader application.

FINANCING GREEN ACTION 5: SCALE UP DIRECT INVESTMENT IN NATURE CONSERVATION AND RESTORATION

CONSTRAINTS IDENTIFIED

- Creating an enabling environment for nature-positive investment may require broader socio-political and policy interventions (e.g. to clarify land tenure and usage rights) that appear to be outside the scope and control of project proponents or PDBs themselves.

- There are few business models that appear viable for nature-positive projects, which are often seen as having high risks and low returns, long lead times and complex stakeholder engagements.
- Individual nature-positive projects are typically small-scale, making them inefficient to structure for investment.

³² During the One Planet Summit on 11 January 2021. See <https://www.oneplanetsummit.fr/en/coalitions-82/coalition-convergence-climate-and-biodiversity-finance-191>

³³ Standards such as the IUCN Global Standard for Nature-based Solutions for instance. See IUCN (2020a) and IUCN (2020b)



PDBs should support transition investments in existing industries, e.g., in large-scale regenerative agricultural supply chains.

Individual projects may also not add up to a coherent conservation approach at landscape level.

- Metrics and methods to assess biodiversity outcomes are not well developed. Such methods exist but are not yet accessible and easy to use, and may have demanding data requirements.

POLICY RECOMMENDATIONS

- Building on the climate example, PDBs should commit to portfolio alignment with targets agreed at COP15 CBD in Kunming and its transparently monitored implementation. This will entail to sensitize and embark PDBs' boards and shareholders, but PDBs have considerable room and capacity for this.
- Set clear, quantitative, targets for nature-positive investment in PDBs' portfolios. This will help ensure that nature-positive projects are not always outcompeted by more traditional investments, based on usual traditional criteria.
- Engage with governments to create an enabling policy environment. PDBs could engage with governments through dialogue (as national development banks) or through technical assistance (as bilateral or multilateral development banks), to promote and support policy change.

ORGANISATIONAL RECOMMENDATIONS

- Specify investability criteria for nature-positive projects, to help proponents design and structure projects that can be considered seriously for investment.
- Identify landscapes where nature-positive projects can be clustered at an investable scale.
- Support transition investments in existing industries, e.g., in large-scale regenerative agricultural supply chains. This could play a key part as a more rapidly scalable complement to investments in innovative nature-positive business models (e.g., restoration linked to insurance risk concessions).
- Encourage cadre of skilled intermediaries who can work cross-sectorally to bridge gaps in approaches, assumptions and processes between the conservation and finance sectors.

TECHNICAL RECOMMENDATIONS

- Develop shared green taxonomy for nature-positive financing (see above).
- Support a collective platform for existing natural capital 'accelerators' and investment funds, to increase efficiencies and allow investors to find investable projects more easily.
- Test, innovate and promote financial instruments for scaling-up investment in nature. PDBs could support and build on the innovative and experimental work of natural capital labs and 'accelerators', to find and scale-up mechanisms that work.

KEY RECOMMENDATIONS BY TIER

As outlined above, different public development banks are at different stages of integrating biodiversity in their decisions and processes. Figure J next page summarises the key practical recommendations for PDBs across three different tiers: banks that have

not started the journey (Tier C), banks that have started to consider biodiversity (Tier B), and banks that are relatively advanced but have some further way to go (Tier A).

TIER TYPICALLY (THOUGH NOT ALWAYS) INCLUDES:	C SMALLER PDBS / NATIONAL AND SUB-NATIONAL BANKS	B MID-SIZED PDBS / REGIONAL AND BILATERAL BANKS	A LARGER PDBS / THE MDBS, SOME BILATERAL BANKS WITH PUBLIC-SECTOR FOCUS
Summary of current status			
Mainstreaming and commitments	No consideration of nature	General environmental commitments	Biodiversity commitments, climate targets
Safeguards for biodiversity	Relies on regulatory EIA	Applies PS6 or own framework, but with limited supporting structures or capacity	Applies PS6 or own framework, with relatively robust structures and capacity
Investments in nature	None	Very few, not policy driven	Low-level but increasing, policy-driven
Key recommendations			
Commitments and mainstreaming	Develop institutional environmental commitment	Specify institutional commitments for biodiversity	Build on experience with climate to integrate biodiversity across internal processes and performance measures
Biodiversity-related financial risk		Carry out initial assessment of biodiversity footprint and risk across portfolios	Develop and apply approaches to quantify biodiversity-related financial risks
Upstream planning		Engage with upstream planning processes to de-risk future investments	Lead and support upstream planning processes to de-risk future investments
Risk screening	Institute environmental risk screening for investments	Ensure routine biodiversity risk screening for projects using tools such as IBAT	Strengthen biodiversity risk screening by deploying relevant new datasets and tools
Safeguards for biodiversity	Adopt and implement biodiversity safeguards that reflect basic elements of international good practice, including a requirement to apply the mitigation hierarchy	Strengthen capacity and structures for implementing biodiversity safeguards	Strengthen implementation of biodiversity safeguards in areas of current weakness (e.g. including agricultural projects and supply chains and intermediary financing) Establish or strengthen oversight mechanisms (e.g. an ombudsman function)
Policy and regulation	Support and engage with national platforms for sustainable finance		Engage with beneficiary governments to support policy reform and strengthen regulatory frameworks
Nature-positive investment		Set targets and specify investability criteria for nature-positive investments	Set targets for nature-based solutions within climate finance Test, innovate and promote financial instruments for scaling-up investment in nature
Disclosure and reporting		Strengthen disclosure and reporting on biodiversity risks, mitigation plans and outcomes, and nature-positive investments. Engage constructively on biodiversity issues with relevant civil society organisations	Engage with the TNFD to shape and implement its recommendations on reporting and disclosure

Figure J. Summary of recommendations, for three tiers of public development banks at different stages of integrating biodiversity. Note: This tiered approach assumes that banks in tiers A and B have already implemented, or will seek to implement, relevant actions specified in lower tiers

CONCLUSION



© Billy Clouse / Unsplash

PDBS AND THE POST-2020 GLOBAL BIODIVERSITY FRAMEWORK

Discussions on the post-2020 global biodiversity framework emphasize the necessity of a whole-of-society approach. All sectors of society need to take on board and contribute to the 2050 Goals, 2030 Milestones, and 2030 Action Targets.

Tackling the drivers of biodiversity loss and mobilizing resources to do so are central to discussions and negotiations around the framework and a nature-positive global goal. Finance is currently driving biodiversity loss – but this can change. The financial sector, including public finance, can play a major role in supporting ambitions for the post-2020 global biodiversity framework, directing financial flows to actually implement the actions needed.

Public development banks (PDBs), annually investing 10% of the global yearly investment, supporting public policies, setting norms at national and regional levels, and leveraging private finance, are well-placed to contribute to the post-2020 global biodiversity framework, its funding, and its implementation. The framework could therefore further emphasize the financial sector's potential contribution. Going beyond just disclosures, PDBs could commit to mainstreaming biodiversity in all their investment decisions, including aligning their portfolios with targets agreed upon. It is arguably in PDBs' (and the financial sector's) own interests, in order to address physical, transition and systemic risks that arise from biodiversity loss.

At the strategic level, this highlights the need for PDBs to sensitize their boards' members and shareholders, including their public supervisory authorities, and develop ambitious institutional commitments for nature-positive investments. Mainstreaming biodiversity implies a shift in PDBs' investments' horizon and criteria, including the required risks/returns ratio. And quantitative targets need to be set, and transparently monitored, by PDBs. Specifically, committing to targets on nature-based solutions related to climate-finance will help achieve the necessary convergence of climate and biodiversity finance.

At the policy level, PDBs can play a strong role in helping to support strategies, planning, laws and regulations that create an enabling environment for nature-positive financing. PDBs could further assist partners through policy support to build best practice and standards into national regulation, including on not net loss and net gains approaches. This would enable alignment of national public policies with

internationally recognized good practice, creating clear environmental rules and levelling the playing field in the partner countries.

In this regard, while better monitoring the actual implementation of their safeguards, it is important that PDBs focus on supporting upstream planning at regional and national levels. Such proactive multi-stakeholder intervention, although mobilizing more PDBs' efforts, time and resources in the short term, provides for real biodiversity mainstreaming in all public and private decisions and saves on costs (e.g. conflicts) and risks (e.g. stranded assets) in the mid to longer term.

The technical underpinning for these changes and ambitions is now largely available through improved biodiversity data layers and new assessment tools that can help better guide PDBs' decisions regarding biodiversity impacts, risks and dependencies. PDBs have a role in encouraging further development and broader application of these data, metrics and methodologies, linked to their full support of, and involvement in, the Task Force on Nature-related Financial Disclosures (TNFD). The TNFD appears to have great potential to form a strong platform to advance biodiversity mainstreaming in public and private decisions.

Science has never been clearer on the unprecedented biodiversity loss and its mainly anthropogenic cause. And the consequences of this loss on human societies, as the zoonotic COVID-19 pandemic so abruptly proved, can surely be dramatic. To fulfil their own mandates in the long-term, PDBs now need to play their part in addressing the biodiversity crisis. Alongside their civil society partners, PDBs have, if they choose to deploy it, the strategic, governance, organizational and technical capacity to walk the talk and contribute to an ambitious post-2020 global biodiversity framework.

The TNFD holds great potential to form a strong platform to advance biodiversity mainstreaming in public and private decisions.

REFERENCES

- AFD (2020) Public Development Banks: The First Global Database. <https://www.afd.fr/en/actualites/public-development-banks-first-global-database>
- Basu, A., Dixon, C. & Biyani, S. (2020) Aligning Development Finance with Nature's Needs. Protecting Nature's Development Dividend. Finance for Biodiversity (F4B). https://a1be08a4-d8fb-4c22-9e4a-2b2f4cb7e41d.filesusr.com/ugd/643e85_332117f2a1494bbe90a42835c99963b8.pdf
- Deutz, A., Heal, G.M., Niu, R., Swanson, E., Townshend, T., Zhu, L., Delmar, A., Meghji, A., Sethi, S.A. & Tobin-de la Puente, J. (2020) Financing Nature: Closing the global biodiversity financing gap. The Paulson Institute, The Nature Conservancy, and the Cornell Atkinson Center for Sustainability. https://www.paulsoninstitute.org/wp-content/uploads/2020/10/FINANCING-NATURE_Full-Report_Final-with-endorsements_101420.pdf
- European Investment Bank (EIB) (n.d.) Investing in nature: Financing conservation and nature-based solutions. <https://www.eib.org/attachments/pi/ncff-invest-nature-report-en.pdf>
- Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) (2019) Summary for policymakers of the global assessment report on biodiversity and ecosystem services. Zenodo. <https://zenodo.org/record/3553579>
- IUCN (2020a) Global Standard for Nature-based Solutions. A user-friendly framework for the verification, design and scaling up of NbS. First edition. Gland, Switzerland.
- IUCN (2020b) Guidance for using the IUCN Global Standard for Nature-based Solutions. A user-friendly framework for the verification, design and scaling up of Nature-based Solutions. First edition. Gland, Switzerland
- Locke, H., Rockström, J., Bakker, P., Bapna, M., Gough, M., Hilty, J., Lambertini, M., Morris, J., Polman, P., Rodriguer, C.M., Samper, C., Sanjayan, M., Zabey, E., Zurita, P. (2021) A Nature-Positive World: The Global Goal for Nature. Unpublished paper. <https://f.hubspotusercontent20.net/hubfs/4783129/Nature%20Positive%20The%20Global%20Goal%20for%20Nature%20paper.pdf>
- Mair, L., Bennun, L.A., Brooks, T.M. et al. (2021) A metric for spatially explicit contributions to science-based species targets. *Nature Ecol Evol* 5, 836–844. <https://doi.org/10.1038/s41559-021-01432-0>
- OECD (2020) A Comprehensive Overview of Global Biodiversity Finance. OECD. <https://www.oecd.org/environment/resources/biodiversity/report-a-comprehensive-overview-of-global-biodiversity-finance.pdf>
- Secretariat of the Convention on Biological Diversity (2020) Global Biodiversity Outlook 5. Montreal
- van Toor, J., Piljic, D., Schellekens, G., van Oorschot, M. & Kok, M. (2020) Indebted to nature. Exploring biodiversity risks for the Dutch financial sector. DNB and PBL Netherland Environment Assessment Agency. <https://www.pbl.nl/en/publications/indebted-to-nature>
- Vivid Economics & F4B (2021) Greenness of Stimulus Index. https://a1be08a4-d8fb-4c22-9e4a-2b2f4cb7e41d.filesusr.com/ugd/643e85_0573ba1a1a5e48c1a45f2f82d8d809d9.pdf
- World Economic Forum (WEF) (2020) Nature risk rising: why the crisis engulfing nature matters for business and the economy. World Economic Forum in collaboration with PwC. <https://www.weforum.org/reports/nature-risk-rising-why-the-crisis-engulfing-nature-matters-for-business-and-the-economy>
- World Economic Forum (WEF) (2021) The Global Risks Report 2021. World Economic Forum. http://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2021.pdf
- WWF (2020) Living Planet Report 2020: Bending the Curve of Biodiversity Loss. WWF, Geneva, Switzerland. <https://livingplanet.panda.org/en-US/about-the-living-planet-report>
- Xu, J., Marodon, R. & Ru, X. (2020) Identifying and Classifying Public Development Banks and Development Finance Institutions.

**OUR MISSION IS TO CONSERVE
NATURE AND REDUCE THE
MOST PRESSING THREATS
TO THE DIVERSITY OF LIFE
ON EARTH.**



Working to sustain the natural
world for the benefit of people
and wildlife.

together possible™ panda.org

© 2021

Paper 100% recycled

© 1986 Panda symbol WWF – World Wide Fund for Nature (Formerly World Wildlife Fund)

® "WWF" is a WWF Registered Trademark.

WWF France, 35-37 rue Baudin - 93310 Le Pré-Saint-Gervais

For contact details and further information, please visit our international
website at www.panda.org